AMENDMENTS TO THE CLAIMS

This listing of claims will replace all prior versions, and listings, of claims in the application.

1. **(Previously Presented)** A method for calculating the optimum value of an intellectual asset comprising the steps of:

a. determining the contribution of profit to intangible assets;

b. deleting the contribution of assets other than intellectual assets from this contribution;

c. deriving a base royalty rate from the difference.

2. **(Previously Presented)** The method of claim 1, wherein the contribution to profit of intangible assets is based on publicly available [or private company] information.

3. **(Amended)** The method of claim 1, wherein the contribution to profit of the intangible assets is based on industry average [(or median)].

4. **(Previously Presented)** The method of claim 1, wherein the contribution of profit of intangible assets is calculated by first calculating the average cost of capital.

5. **(Amended)** The method of claim 4, wherein [the] <u>a</u> weighted average of cost of capital (WACC) is derived using the following formula:

$WACC = E(Ri) + D(Ri) = Rf + B \times E(Rp) + i \times (l-t)$

where

$E(Ri)$ = expected rate of return for equity investors

$D(ri)$ = expected rate of return for debt investors

Rf = risk free rate of return

B = beta or systematic risk

$E(Rp)$ = expected risk premium

t = effective federal and state tax rate.

6. **(Amended)** The method of claim [4] 5, wherein the weighted average of cost of capital (WACC) is inserted into the following formula:

$WACC = (Vm/Vbev)Rm + (Vt/Vbev)Rt + (Vi/Vbev)Ri$

where

Rm is the return on monetary assets,

Rt is the return of tangible assets,

Ri is the return on intangible assets,

Vm, *Vt*, and *Vi* are the fair market values of the monetary, tangible, and intangible assets, respectively, and

Vbev is the fair market value of the business enterprise, which is the total of *Vm*, *Vt* and *Vt*.

7. **(Amended)** The method of claim 6, wherein [the] a weighted return on intangible assets is *Riw*, and is calculated as:

$Riw = (Vi/Vbev)Ri = WACC - (Vm/Vbev)Rm - (Vt/Vbev)Rt.$

8. **(Amended)** The method of claim 6, wherein [the] an unweighted return on intangible assets is *Ri*, and is calculated as:

$$Ri = \frac{WACC - (Vm/Vbev)Rm - (Vt/Vbev)Rt}{(Vi/Vbev)}.$$

9. **(Amended)** The method of claim 7, wherein the contribution to profits of intangible assets (CPIA) is calculated based on debt free net income, which is expressed as:

DFNI: $DFNI = NI + InterestExpense(1\text{-}tax),$

And wherein the CPIA is [express] expressed as a percentage, as follows:

$$CPIA = \frac{(Riw/WACC)(DFNI)}{Sales}.$$

10. **(Amended)** The method of claim 1, wherein the contribution to profit of intellectual assets (CPIPIA) is calculated by subtracting [the] an industry average [(or median)] distributor CPIA from the CPIA value for a given firm.

11. **(Amended)** The method of claim 1, wherein the contribution to profit of intellectual assets (CPIPIA) is calculated by subtracting [the] an industry average [(or median)] distributor CPIA from the average [(or median)] manufacture CPIA for a given industry.

12. **(New)** The method of claim 1, wherein the contribution to profit of the intangible assets is based on industry median.

13. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets (CPIPIA) is calculated by subtracting an industry median distributor CPIA from the CPIA value for a given firm.

14. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets (CPIPIA) is calculated by subtracting an industry median distributor CPIA from the median manufacturer CPIA for a given industry.

15. **(New)** The method of claim 1, wherein the contribution to profit of intangible assets is based on private company available information.